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A LETTER

TO THE

President of the Montreal Board of Trade,

ON THE

SILVER QUESTION;

WITH A BRIEF REVIEW OF THE SUBJECT:

ENTITLED

NOTES ON CURRENCY.

By MERCATOR.

MONTREAL, OCTOBER, 1867.

Montreal:

PRINTED BY JOHN LOVELL, ST. NICHOLAS STREET.
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TO THE PRESIDENT OF THE

MONTREAL BOARD OF TRADE.

SIR,—I take the liberty to address you on the subject of the present very unsatisfactory state of the Currency in this country, arising from the immense amount of foreign silver coin which the Government has so long allowed to circulate as measuring a quantity of value greater than is justified by the intrinsic worth of the coin, upon which its measuring capacity should be based.

Not to speak of the loss to the community of the interest on a very large amount of wealth uselessly employed ; putting aside such considerations, as the damaging and unhealthy effect on the financial progress of the country, which must arise from having its legitimate paper currency suppressed and its bankers converted into speculators in debased coin ; leaving aside these important considerations, there yet remains that of the injustice and loss to individuals, and the interference with the operations of the trading community generally ; this phase of the subject alone seems amply sufficient to suggest that the time has arrived when the necessary pressure should be brought to bear upon the Government to induce it to perform its proper function in putting an end at once and entirely to this barbarous grievance which we have so long and so patiently submitted to.

I would respectfully suggest that if the Boards of Trade of the leading towns were to agree upon a series of concise resolutions or propositions for the purpose of putting clearly before the Legislature what is required, the difficulty might be readily surmounted. The following sketch of some such resolutions as might answer the purpose is also respectfully submitted.

I am, Sir,

Yours very truly,

MERCATOR.

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SKETCH OF PROPOSED RESOLUTIONS.

1. That the large amount of foreign silver coin now circulating as currency, seriously interferes with many business transactions, and is the cause of loss, confusion and annoyance to persons engaged in trade.

2. That it is also, indirectly, a source of heavy drain to the community, because of employing a very large amount of capital in a useless manner and for an unnecessary purpose.

3. That the continued presence of this coin and the evils arising therefrom, are attributable to the nominal value of the coin not harmonizing with its actual intrinsic value.

4. That it is one of the legitimate functions of the Legislature to provide for uniformity and harmony in the various instruments used to measure value relatively to the general standard of value, and therefore to provide that, all coins used as public currency, that is, as instruments of exchange and for the purpose of measuring value, actually possess the measuring capacity attributed to them.

5. That it is the duty of Government, in the interest of the public, to compel uniformity and harmony in the use of such coins.

6. That it is expedient and necessary, under existing circumstances, for the government justly to determine the actual intrinsic value of the foreign silver coin now in use, and the quantity of

value measured by them relatively to the general standard of value.

7. That it is expedient for the Legislature to enact that no person shall use such coin as measuring more than the quantity so ascertained, also making it penal for any person to disobey such enactment.

8. That the Legislature and Government in so enacting and in compelling obedience to such enactment would not in any way alter the actual value of such coins, nor interfere with the perfect freedom and right of individuals to buy and sell their goods and possessions at whatever price they mutually agree upon.

9. That the quantities of the various kinds of currency in use should be allowed to follow the natural laws of supply and demand, and which they will always do if the instruments of currency possessing intrinsic value, are properly adjusted and only used as measuring that quantity which they truly represent.

NOTE.—The effect of the proposition contained in No. 6 and 7, would be that supposing the value of the American quarter dollar is ascertained to be $23\frac{1}{2}$ cents., then any person *paying or receiving* these coins *as currency*, at a higher value (say for example) at 25 cents, would subject himself to a penalty. If the quantity of value ascertained involved some such inconvenient fraction as $23\frac{1}{2}$ cents, it would have the advantage of our getting sooner rid of these mischievous interlopers, namely, the American $\frac{1}{4}$ dollars, which is the consummation devoutly to be wished.

Whether the silver coin, British as well as American, should be first made legal tender at its real value in order to deal with it, is a question for the lawyers; but in that case the Banks might retain part of it.

INTRODUCTION.

There is a large class of practical business men whose influence would be of great service in assisting to put the currency arrangements in respect to the silver nuisance on a more satisfactory footing, but who are of opinion that the inconveniences and evils which they perceive and admit to exist are counterbalanced by facilities in obtaining discount and by a ready money system of business, advantages attributable, as they view it, to the large quantity of silver coin; consequently they disapprove the adoption of measures which might have the effect of driving it out from amongst us. Now this coin is undoubtedly *capital*, and the possession of it implies a proportionate discounting power, but it seems to be forgotten that the coin has been bought; that an equal amount of *capital* has been given for it; and further, that in getting rid of it, it would not be necessarily thrown into the sea or lost, but that other *capital* equally possessing the discount-giving quality can be procured for it. Let this silver coin be all collected, placed in vaults made perfectly secure, and notes issued for an equal amount redeemable in the coin itself, at its real value. This way of considering the question may make its true nature clearer to the minds of some persons. The effects of such a proceeding scarcely require specifying; the bulk of the notes would soon be in the banks as deposits, or, if made legal tender, as representing, perhaps,

part of the specie reserves. Again, in civilized countries the forms of currency in use are various; as these various kinds are usually on equal terms, the proportionate quantity of each is determined by public convenience, but as the entire quantity in circulation, that is, the aggregate of the different kinds together, can never exceed what is required for use, if one kind is in excess it must suppress or take the place of some other kinds: now as book debts are one form of currency, a large excess of coin will, to a certain extent, displace them, and will so far lead to the adoption of a ready money system of business. The very plentiful supply of greenbacks in the United States led some time since to the same result, and our neighbours naturally took credit to themselves for adopting a system which was directly the effect of a great inflation of their paper currency. But here it will perhaps be remarked that a ready money system is a good thing; quite true, but then like other good things it has to be paid for, and when carried beyond the proper mean it becomes a bad thing, and the very reverse of economical; carried to an extreme it would be almost reverting to the ancient barbarous practice of direct barter. When *trust* is dead, *trade* and *commerce* will be in a very sickly state of health. However, those who insist on our keeping so large a proportion of coin currency in circulation, cannot reasonably object to our having the coin of a correct and just measure.

NOTES ON CURRENCY.

*(The following Letters were published three years since in the
Evening Telegraph newspaper.)*

No. 1.

Instead of noticing further the peculiar theories of your correspondent, "Valuator," I wish, with your leave, to put before your readers "a brief enquiry into the true principles of currency." The general impression seems to be that this subject is one of so complicated, so confused and indefinable a nature, that every one has a right to form a theory of his own and to entertain what opinions he pleases about it; this is by no means the case, the laws which govern it or under which its operations are conducted, are, like other natural laws, quite certain and uniform, neither are they difficult to understand. It is true in some of its divisions, as in that of banking, the subject becomes more complicated and a certain amount of close study may be required to fully master its ramifications; the general question, however, is not very abstruse, but it has been rendered apparently so by the confused use of loose phraseology mingled with time-honoured but erroneous prejudices and wild theories.

The observations which I am desirous to bring under the notice of your readers will have the practical object of endeavouring to convey to them in as brief and simple a form as possible, sounder and more correct ideas about money and currency than are now usually entertained. The present time seems more particularly opportune to make this endeavour for two reasons; the one is, the existing state of our own currency, groaning under an incubus of superfluous silver coin; the other, the practical results arising from the financial measures adopted under the pressure of civil war by our Southern neighbours, and which results, besides making the enquiry more generally interesting, will help to illustrate some of the deductions therefrom.

Gold, money and currency. The distinction between these three things it is of the greatest importance to clearly understand at the outset and then to keep in mind as the enquiry is pursued; the first question, therefore, is in what do they differ from and agree with each other. Gold is a metal of utility for many purposes; owing to its limited distribution and the labour necessary to obtain it, its price is high, and experience has shown that this price or value, compared to other things, is more uniform and less liable to fluctuate than that of most other substances, its peculiar chemical and physical properties rendering it also extremely well suited for the purpose; it has been most generally (almost universally) selected by civilized nations to serve as a medium of exchange, and in this form, as money, to supersede the old original system of barter, which was that of giving one thing or description of goods directly in exchange for another of which the giver had greater need. What is said here of gold will apply also to silver and copper, the principal difference being one of convenience; these metals being less scarce, a larger bulk and weight of them is required to serve the same purpose than of gold. To convert gold into money a certain definite weight of it is reduced to the form of coin, stamped by the

governing power of the country and declared the standard of value. But here let us observe that the government in so doing does not declare or fix the value of gold ; such a tyrannical and chimerical attempt as this would be, has never been made by the most despotic government (see note). What the possessor of other commodities or the producer of other manufactured articles, the farmer or the labourer, *how much* each of these will give of that which he desires to sell in exchange for this stamped coin, is left to himself to decide, and *this* measures the value of the money, whether it be gold or silver coin, or money of any other description ; hence it will be seen that the not uncommon idea of a legal value of gold (money) arbitrarily fixed by government, is nothing else than an illusion. The probability of a considerable depreciation in the price or intrinsic value of gold and the effects likely to arise therefrom, may be perhaps referred to hereafter ; it is, however, a question far more interesting to the fund-holder and those who are parties to agreements of a like kind, than to the general public.

Money is a loose phrase, as it is commonly used with different significations, its meaning being by some persons confined to gold and silver coin, by others extended to include banknotes, as paper money, and again still further extended to mean anything used as a medium of exchange ; in this latter sense, which is to be preferred, it becomes synonymous with currency.

It may be as well to mention here that this indefinite and double meaning attached to the word money, leads many persons to an entirely erroneous idea of what is called the money market ; it has been also the fruitful stock of much bad reasoning, and perhaps even the occasion of vicious legal interferences with the freedom of commerce.

As this letter is already too long, I will reserve the consideration of " currency " for the next.

(NOTE 1.—In some isolated instances, as in France and Spain, attempts have been made to fix the price of bread and other descriptions of food, attempts generally followed by rioting, and soon abandoned; these were, strictly speaking, attempts to arbitrarily fix the value of the standard coin, silver or gold, in relation to such articles of food.)

No. 2.

In continuation of "the enquiry" from my letter of the 28th ult., I have now to consider currency as a division of the subject. Currency comprises all descriptions of money, whether paper or metallic, and it includes generally all the various things employed as mediums of exchange, whether between individuals, communities or nations. Perhaps the most satisfactory way of showing, in small compass, what things are included under this term, and their relationship to each other, may be by means of a diagram, thus :

CURRENCY.

<i>Metallic Money or Coin.</i>	<i>Paper Money or Representatives of Value.</i>
Gold, Silver and Copper (coins)	Bank Notes, Bills of Exchange, Cheques and Drafts, Dock Warrants, Title Deeds, Book Debts and Certificates of Indebtedness generally.

There is a distinction between the metallic money and the paper money of all denominations, to which it is important to draw particular attention. The metallic money possesses

intrinsic value; it is one of the forms of capital, a commodity which is always in demand in the various countries of the civilized world; it carries its own specific and independent value in itself. But the paper money only represents value; it depends directly or indirectly upon something else possessing intrinsic value, and should anything happen to destroy or deteriorate that upon which it depends, its value ceases or is diminished accordingly; the possessor of it has not necessarily, nor indeed usually, any control over that which it represents, and, therefore, has to put faith and trust in some other person or persons on whose will and conduct the value of what he possesses in this form is dependent. Metallic money or coin has, then, intrinsic value; but when used as money, as a medium of exchange, and as long as it is so employed, it cannot be applied to any other purpose; it is a *contrivance* in which *its own intrinsic value* has been *invested*; like any other machine composed of a material possessing intrinsic value, it may be pulled to pieces (so to speak) and the parts sold separately for some other use, or the entire contrivance may be sold by one country or community no longer having need of it, to another country or community; that is, it may be exchanged for something else of intrinsic value which they can use or of which they are in want. The progress and present state of currency in the most civilized nations may be thus briefly summed up. As soon as the first developements of commerce had reached that stage when the rude system of barter was found to be too inconvenient to serve its requirements, a medium of exchange—a go-between possessing a certain definite value and sufficiently portable—was found in coin; but as commerce extended its operations and limits, when exchanges of commodities on a large scale became necessary, this was found, in its turn, inconvenient. Large quantities of coin or metal were heavy to convey to and from distant places, and it also began to be seen that a large amount of

capital (of a commodity possessing intrinsic value) was invested or sunk merely in conducting these operations. Then came the next great improvement—the next great onward step in commercial civilization. Paper money was introduced. The stage we have now reached is a transitionary and peculiar one. If we take, for instance, two of the most advanced commercial countries and survey their present position in this respect, we find “England” on the one hand, with a mixed currency, in part paper and partly metallic, but the proportion of the one to the other not yet fixed on any scientific or very intelligible basis; and, on the other hand, we see the “States of America,” having *capitalized* and *spent* their metallic currency, trying the experiment of a paper money currency by itself. Before alluding further to this phase of the subject and offering some considerations on the question of how far it may be safe and judicious to supersede coin with the paper representatives of value, it may be proper to refer very briefly to that contrivance by which the most wholesale substitution of the one for the other is effected—that institution which confers the greatest security and convenience in conducting such operations—that organization which enables the principle of the division of labour to be most effectively applied to facilitate the exchanges of property and commodities on the large scale,—to refer, namely, to the system of banking.

My next letter will, therefore, continue “the enquiry,” with some brief explanations of the principles and advantages of banking.

No. 3.

Banking and the advantages derived therefrom may be considered under two heads; there are, in fact, two distinct

purposes effected through its agency. 1st. Banking as economizing time and labour, and also lessening the risk of loss in conducting monetary operations. It is necessary to say but little about the well-understood and obvious advantages derived in this form from the use of Banks. The Bank itself may simply be considered as a large safe or strong box confided to the care of competent and responsible men; to which any one engaged extensively in business can send his money and have it securely taken charge of; the owner of the money has then merely to give an order to any person to whom he has to make a payment to receive the amount out of what belongs to him in charge of the Bank. It is at once evident that if every firm or individual engaged in business had to keep large sums of money on their own premises and pay their creditors directly therefrom, they would also require to keep a clerk or several clerks to take charge of the money, to attend to such payments and to keep accounts relating thereto, duties more economically and better performed by the Bank clerks. The gain in convenience and economy as well as the much greater safety secured from Banking in this form, is sufficiently clear. 2nd. Banking as economizing capital—To explain the way in which Banking economizes capital, we will suppose that the proprietor of a valuable estate wishes to purchase a quantity of merchandise or some other property, but he has not the necessary capital to do so; he goes to the bankers and deposits with them the title deeds of the estate, in exchange for which he receives from them their bank notes to an amount equivalent (or nearly so) to the value of the estate; with these notes he may then proceed to make his purchase, and the party receiving them from him may again employ them in like manner, and so on. Now by this transaction the Bank has acquired the possession of property (or the contingent right to possess it) and has given a certificate of indebtedness, and it will be seen that the estate has, through its representative the title deeds, taken the

place of a certain quantity of coin equal in value to itself, and that the notes, the certificates of indebtedness on part of the Bank, may be justly regarded and are the representatives of the intrinsic value of the estate; the estate has been converted into currency and made to answer the same purpose as so much coin. In the same way the owner of a large building may, by securing to the Bank the contingent right to possess it, obtain their notes and so convert the building, through its paper representatives, into currency. The coin in possession of the Bank before these transactions took place still remains so, it is not necessarily disturbed by them. Now it is true that these things, the estate and the building (or perhaps merchandise) which have been thus converted into currency, possess intrinsic value as well as coin, and to an equal amount; but *they* can be employed also and at the same time for other purposes, the land can be cultivated and the house inhabited whilst they are serving the purpose of currency; but the gold or silver coin *cannot*, and *herein* lies the economy effected by their substitution.

It is not intended to be understood that this process of converting various commodities or descriptions of property into currency and making them serve as mediums of exchange, is confined to banking; there are, besides, many other ways in which the process is carried out, for example, a cask of wine or some other commodity in the bonded warehouse, so long as it is not required for use, may, through the warrant which represents it, be also employed as currency; a mortgage on land or real estate, from one person to a second, presents another instance where this conversion is carried out without the intervention of the banking mechanism; but in these instances the general usefulness of the paper money so created is very limited—it cannot be transferred from one person to another with the same security and convenience as the bank notes—it cannot be thus made to serve the purpose of a general circulating medium. It is therefore to the gain

and interest of the community at large that these transactions, these converting processes, should take place as much as possible through the medium of the Banking system, since in this way a far larger measure of economy is obtained. It may be as well here to point out that when the Bank issues its notes of credit to a person or firm known to possess property and wealth (gives them discount) the property of such person or firm then forms the intrinsic value represented by the notes so issued and is thus converted into currency, although the Bank has received nothing but a certificate of indebtedness in exchange for its own. Again when a promissory note or document of the like kind is given in payment of a debt or in exchange for value; the person who gives it, or rather the property he possesses, may be considered as taking the place of the bank, but the paper money so representing his property will again be inferior in security, and of evidently limited circulation and usefulness compared to the certificates of the *properly constituted* Bank.

The arrangements and regulations under which the bank is constituted and by which its operations are controlled to render as secure as possible the convertibility of its notes, do not come under the division of the subject we have been now considering and which is the abstract principle of banking; it is supposed that those who have attended to the foregoing explanations will be able to understand that banking does not necessarily require that any coin (specie) should be employed in its operations; but from this it does not necessarily follow that a certain quantity (and perhaps even a large proportion) of metallic currency, may not have advantages over anything else that can be substituted for it; and again, if this is assumed to be so, such regulations as those which make banks reservoirs of specie, may be the most judicious that can be devised. In reference to these questions the writer may have some observations to make before concluding the enquiry.

In my next letter it will be necessary to consider a little further the process of converting property and commodities into currency; there is one important distinction to be yet considered, after which I shall have to ask the more particular attention of those who take an interest in the subject to the present state of our own currency.

No. 4.

There is another consideration with respect to this process of converting different descriptions of property into currency which may be particularly commended to the reader's attention: it is, that the economy so obtained depends greatly upon the nature of such property; where the property is of that kind termed real estate, such as a farm or building, it can, as already pointed out, be employed as currency, and at the same time continue to serve its natural use as a farm or building; but when its nature is such as that of a cask of wine or other like commodity, this is no longer the case; so soon as this is required for consumption or for use, its capability of serving the purpose of currency ceases. All commodities included in this latter description of property occupy, therefore, the same position as (gold) coin, and their substitution for it would not (besides being much less convenient) effect any saving. There is, nevertheless, in practice, a great economy gained by their employment as currency; but it is of a different kind, and requires to be carefully distinguished from that resulting when real estate is so employed. Since the demands of commerce require a varying and often a sudden supply of commodities which cannot be produced at the time they are required, it becomes necessary to keep large stocks of these various things, which have to be kept for an uncertain period unemployed, waiting for the time when they will be wanted for consumption or use. Now, during the time they are so unemployed, if they can be made

to serve the purpose of currency and so to take the place of a quantity of metallic money, a clear economy will be effected. This is what actually occurs. A not inconsiderable amount of the paper currency in England, for instance, (and, indeed, in every commercial country,) is the representative of a floating stock. The quantity of paper currency having its value secured in this way will not be usually subject to any sudden or violent fluctuations. Perfect safety can be obtained, and the gain over the employment of coin for the same purpose is evidently indisputable. Briefly, then, a mortgage on land may be taken as a type or instance of the one kind of economy obtained by this substitution; a dock-warrant may serve as a type of the second kind which constitutes a means created as it were and developed by the very same extension of commerce, the requirements of which it renders so much service in fulfilling.

To illustrate and make perfectly clear the relationship and distinction between paper and metallic money, let us take, as one more instance, the Bank of England. This institution comprises two departments—the bank proper, and the issue department of the Bank of England, so called, which is really a department of the English Government carried on in the same building as the Bank. This department authorizes the issue of their notes to an amount representing thirty million pounds sterling. If it happens that the English Government have borrowed from and are indebted to the company forming the Bank of England (proper) the sum of fourteen millions sterling, instead of paying them this debt, they (the government) give the bank a part of these notes to the amount of fourteen millions, and for these the government undertake to be responsible, that is, if, on an extraordinary emergency, the bank should find itself unable to give the gold in exchange for these notes, which the holders of them have a legal right to demand; then the Bank or the holders of the notes have their claim upon the government to find the gold or in some

other way, as by legislative interference, to make good the representative value of the notes. But the other and larger part of the notes, the sixteen millions, cannot be obtained by the Bank of England or by any other bank unless by paying gold for them; every five-pound note must be bought with five sovereigns, and the gold coin being deposited in the secure vaults of the building, insures the convertibility of the notes to this extent. Let the reader carefully observe the important difference arising from the nature of the basis on which the value of these notes rests, between the sixteen millions and the fourteen millions; the former represents the gold coin buried in the vaults of the bank, *there* is the intrinsic value basis on which *their* worth rests. What has been effected in their case, therefore, is the substitution of a paper for a metallic currency. A gain in convenience, the paper being more portable, but no gain in actual economy; the coin has been divested of its use as currency and must remain unemployed (so long as the notes are out); but in virtue of its other property as being one of the forms of capital, a commodity possessing intrinsic value, it is converted into paper currency through its representatives. But the fourteen millions have for their basis the general property of the nation administered by the government; here, then, is a clear and absolute gain. The individuals composing the nation having agreed that their general property (or it may be their ability to produce property) shall be to the extent of fourteen million pounds represented by their notes, they obtain this amount of currency without cost, without giving anything in exchange. Nothing having value has to remain unemployed. The gain or saving effected is absolute.

Now to sum up and compare these three systems of exchange. We have first, barter, in which the property itself is directly transferred, the one commodity actually exchanged for the other. Next, we have the use of metallic money (coin) as an intervening agent, much facilitating many forms

of exchange, but a costly contrivance, because, possessing itself intrinsic value, this capital is invested and employed to obtain the convenience arising from its use. And, lastly, we have the use of paper money or paper currency, by which a still greater measure of convenience is obtained and the capital employed in the metallic currency is saved. Paper currency might be, perhaps, best defined as an exchange of certificates, certificates of ownership for those of indebtedness, and it might be a good and useful distinction to confine the term paper money to bank notes, such paper as has a general circulating power, and all other forms, such as mortgages, which only serve for a single transfer, or promissory notes, of which the circulating power is very limited—to call all these forms inclusively paper currency, but not money.

This method of considering the subject of paper currency, namely, by referring its worth to the basis of intrinsic value, which it directly or indirectly represents, has not, so far as the writer is aware, been previously suggested, and it is submitted to the public and especially to those who wish to study the subject thoroughly, as the most simple and complete way of separating and presenting to the mind the elementary principle involved in transactions often very complicated. Doubtless there is no new discovery herein; these statements are in fact merely explanations of the practices of commerce; but the practice seems to have been forced upon the men employing it by the exigences of commerce itself, or suggested to and put in practice by the commercial instincts of men, rather than thought out and scientifically adopted. The true elementary principles on which the correct practice depends would not appear to have been eliminated by any chain of inductive reasoning. It is by no means wished here to disparage the valuable services of able writers and thinkers on the subject of currency; it may be, however, that in this particular a more simple, comprehensive and, so to speak,

scientific way of treating this branch of the subject has been arrived at.

But many practical people are disposed to think that these nice distinctions, these definitions of the meaning of terms and this or that particular form of explaining operations in daily practice, are but little better than waste of time ; that, at least to practical men of business, they can be but of little service and not worth bothering themselves about. This supposition is a great and serious mistake. It is quite certain that the most facile manipulation of figures, the far-seeing mind and astute intellect of the able financier or financial statesman, will not save him from falling occasionally into errors or forming fallacious conclusions, fraught, perhaps, with the most serious practical consequences, unless he will first condescend to think out and understand the simple elementary truths on which a correct knowledge of the subject must be based, and attend to the classification and arrangement of those primary facts from which and by which the (so called) science of currency must be built up.

My next letter will be a practical review of the existing state of our own currency ; and, apologizing for the length to which these observations have extended themselves.

No 5.

An enquiry into the present state of the currency of Canada, on any comprehensive plan, would be properly commenced with some account of our banking system, on which so much else is dependent. It is not my intention, however, to attempt such a review as this. Should your space and my time permit, some general observations on our own and the banking systems of other countries may be hereafter ventured. At present, suffice it to observe that the Banking Act of 1859 appears to have been carefully prepared with enlightened views of the economical and other objects to be

attained, and to be generally well adapted to the requirements of the country. The older chartered banks also have been found to work very satisfactorily; they command confidence, their credit has been well sustained and their present managers are known to be men of experience and tried ability. In one particular, arising from extraordinary existing circumstances, it may be that the interest of the banks is somewhat antagonistic to that of the public or at least not altogether in unison therewith; but this does not arise from imperfections in the banking system or the fault of the bankers so much as from inattention to their own interests and supineness on the part of the commercial public itself.

There is one peculiarity, one unpleasantly prominent feature in the present state of our currency, namely, the extraordinary quantity of debased silver coin; and it is with respect to this I am desirous, if possible, to arouse the attention of your readers and, through them, of the public. To this peculiarity, then, which I shall take the liberty to call "the great silver nuisance," my present observations will be confined. In endeavouring to attract the attention of the community to this subject, in which the personal interest of every individual is, as it appears to me, more or less concerned, I shall venture to hope that the aid of your more practised pen and the influence of your editorial position will be extended to enforce the true nature of this grievance on the minds of its victims and awaken them from the lethargic indifference which has already allowed it so long a continuance.

In dealing with this matter there is but one method which promises much likelihood of any successful result. If I or any one else should write through the medium of your journal and merely make statements, such as that this debased silver coin is an unmitigated nuisance, a heavy loss to the public generally and an additional particular loss and injustice to a very considerable number of individuals, our assertions would be contradicted, countervailing advantages would be claimed

for the existing state of matters, vague dangers to be incurred by sending the silver out of the country would be suggested, difficulties in obtaining discount be foreshadowed—our opinions would be in this way controverted and our statements weakened either by some of those persons (well meaning, perhaps, but entirely ignorant of the real bearing of the case) or by some of the few speculators who make their gain out of the general loss, and whose object it is to mystify and deceive their victims.

Most of us can recollect that some three years since a sort of organized attempt was made to suppress this same evil, which then existed in a somewhat different form. The question was agitated and meetings were held; a perfect Babel of opinions, a chaos of reasoning and confusion of ideas on the subject soon became manifest; statements of the damage and inconvenience existing were met by the asserted dangers of attempting any alteration; doctrines, almost equally extravagant, *pro* and *con*, were freely expressed and interchanged. However, some resolutions in the right direction were passed and an endeavour made to put them in practise: with what result? If two large firms entertained one view of the matter, a third adopted the contrary: if the more enlightened store-keeper on one side of the street declared his intention to take the coin at only its intrinsic value, the man at the store opposite or at the next corner was more *liberally* disposed, as he termed it, and perhaps thought. No uniformity of action could be attained; the movement smouldered for a short time and died out. But if those better informed, if the few who rightly understood the whole question, had first of all, through the press and otherwise, disseminated a more correct general knowledge of its bearings; had they made the small tradesman, the shop-keeper and labourer, as well as the merchant and wholesale manufacturer, clearly understand that their interests were all the same way, that they were all in one boat,

then, in all probability, their efforts would have been better supported, and success instead of failure would very likely have resulted.

I purpose, then, to discuss this subject under several natural divisions, to examine and try each of these by the rules of currency—these rules (or the most important of them) which it has been my endeavour in the foregoing letters to put as clearly and simply as possible before your readers, in order to enable them to reason for themselves about this matter, and to form sound conclusions of their own upon it. The consideration of the subject naturally divides itself into the following questions:—

1. What is the effect of a superfluity of silver coin, or, in other words, in what way does a great inflation of the metallic currency cause a loss to the general community?

2. When the silver is debased coin, a fallacious standard of value, what other class of evils arise therefrom, and in what manner is an additional loss and injustice inflicted on particular individuals?

3. Since a proportionate amount of paper money must be displaced by the excess of the metallic, how does this affect the *legitimate* business of the banks, and whether do the public derive advantages or injury thereby?

4. What causes have originated and now perpetuate the evil?

5. Would any real risk be incurred or any possible danger arise from sending this debased coin out of the country?

6. Does the circulation or presence of a large quantity of metallic currency afford facilities in obtaining discount? and what is its effect or influence (if any) on the money market?

Having examined as briefly as may be these divisions of the subject separately, we shall be the better able to view the position as a whole, to consider the best practical method of abating the nuisance and preventing its recurrence.

No. 6.

To answer the question proposed in my first division of the subject, namely, the general loss caused by a great inflation of the metallic currency, it will be the best way to assume the quantity of silver coin at present in the country in excess of what the convenience of the public and the demands of trade require. As there is no data to show how much silver coin there is actually in the different towns, the quantity so assumed will be merely a guess ; but whether it be considerably over or greatly under the actual mark, will not affect the soundness of the argument ; the loss will be so much the less or greater. Let us then suppose such excess at 10,000,000 dollars. This sum is therefore invested in silver coin, only of use for the purpose of currency, but by the supposition it is in excess and is not wanted for such purpose ; therefore the sum of ten million dollars is employed for a useless purpose. No interest is derived from it, no benefit conferred, no advantages gained by its being so employed. To show this clearly, let us suppose that all the individuals, firms and companies holding this amount of the silver coin could meet together and agree to put the whole sum into the hands of a committee of a few persons representing them. We will suppose, further, that such individuals, firms and companies hold other property (goods in stock, land, buildings and other coin, collective wealth) to several times the amount of the ten millions. They empower the committee to issue notes to the amount of ten millions and make their general property liable therefor, (in other words, these notes would have their representative value based on the collective wealth they may possess over and above their silver coin) it is evident then that the committee would have the ten millions of coin so placed in their hands disengaged to employ for the general benefit of the proprietors, who, in addition, would enjoy the convenience of

having the ten million one-dollar notes (or of larger denomination) in the place of the silver coin. Now, consider the general public to stand in the place of these individuals, firms and companies; the government or the banks to represent the committee, and the notes to be bank-notes properly secured; the gain or saving to be effected must be palpably clear. But this gain or saving which might be is, in other words, at the present time so much loss. The answer to the first question is, therefore, that the loss to the community is the *interest* on the capital (whatever the amount of the excess may be) so unemployed as currency.*

The second division we have to consider introduces an especial feature of the infliction from which we are now suffering. The heavy loss just shown to arise from the excess of coin would be equally true if the silver was of standard value, or if it was gold or copper coin; but the excess that is troubling us is in American coin, of the reputed value of half-dollars, quarter-dollars and lower denominations, but intrinsically worth about four and a half per cent. less. Being used as money, these coins are therefore false standards of value. The effect is of the same kind as if some of the weights used in the balances or weighing machines all over the country were to be made heavier, and people obliged to use them and make believe there had been alteration—some of the ten pound weights made to weigh ten and a half pounds, twenty-pound weights to weigh twenty-one pounds, and so on. Or suppose that some of the bushel measures and gallon cans were to be made so much larger, the general confusion and loss to particular individuals would be just

* If the excess of coin or part of it was replaced by bank notes, the banks might require to increase their specie reserves. If so, the loss of interest on such increase would be a deduction from the entire saving; but as the notes would be wanted for circulation, they would remain out, and perhaps no greater reserve of specie would be necessary than at present.

what now takes place from our absurd conduct in using debased coin as standard. The main loss, as in all these cases, falls on the poorest class; the labouring man probably pays the lion's share, only it comes out of his wages in such an indirect way as to keep him in ignorance of the fact; but on the class of smaller tradesmen it frequently presses very heavily; having to buy wholesale, he must pay value; even if he pays in the debased silver, his creditors will surely make him pay the four or four and a half per cent. difference; but in selling retail, the price of many commodities is practically fixed; the small fraction on the retail price required to equalize the transactions would produce inconvenience and be objected to by customers. This, with the keenness of competition, the other man opposite who is disposed to keep down prices below, perhaps, the margin of a reasonable profit, obliges the storekeeper frequently to put up with the loss. The wholesale houses and larger firms can perhaps better protect themselves; much inconvenience and complication of accounts is their share of the suffering—annoyance in addition to direct loss.

It may be observed that the especial grievance in this division stands by itself; it is not to be got over by any opinions on the other questions. The *abomination* of a *false measure* and *unjust balance* is at least incontrovertible by any sophistry. If we must have so much silver coin, there is no difficulty in getting any quantity of it of *correct* standard value.

No. 7.

To answer the third question, (one of no small importance), as to the effect of the large excess of silver coin on the business of the banks, with any great degree of exactness, would be a matter of very considerable difficulty. To quote statistics from the Bank reports; the amount of notes in circula-

tion, deposits, specie reserves and such particulars for several years ; to separate from these the interfering causes, the extraordinary results arising from the peculiarities of each particular year, varieties in harvests, the influence of political events and so on, and then to eliminate from all this, reliable data to form such a comparison as would enable a reply based on the actual facts to be given to the question, would take up far too much space and time, even if the writer was furnished with all the necessary information and possessed the ability to properly carry through such a method. But a much more simple plan may so far answer the purpose as to enable the reader to perceive what *sort* of effect is produced, and so the object of the question will be fulfilled. If an influence adverse to the interests of the public is established, the degree of precise extent to which this influence may be detrimental is not of so much consequence for my present purpose.

I propose, then, to try this question by taking an extreme case. Let us suppose the evil state of things at present existing to be carried still further ; imagine, in addition to all the American silver coin, we have an immense quantity of American gold coin likewise debased to the same extent, American eagles, half and quarter-eagles, or other gold coins of small denominations, intrinsically worth four per cent. less than their reputed value, and that they are in other respects in the same case as the silver coin, that is, that the public think proper to use them at their reputed value. The obvious result would then be that all bank notes would be driven out of circulation. The banks might give out their notes when opportunity offered, but they would assuredly soon return to them ; they would not be wanted for circulation, and any one keeping them and sending the debased coin to the banks would lose their four per cent. But the economical advantages of the institution of banking to the public depend greatly on the ability of the banks to circulate their notes ; and also the bankers having invested a large part of their

capital in this form of currency, if they cannot circulate it, they will have to lose the interest thereon. The banks may still serve as depositaries of unemployed capital; the bankers may still take part of the risk and labour of many monetary transactions off the hands of private firms; they may continue to discount bills, and, being associations of large capitalists possessed of superior information as to the financial condition of different towns and districts, they may make a profit by trading in this very coin, buying it in one place and selling it again for the purpose of circulation in another, at a somewhat advanced price. Since bankers, like other people, are in business to make a profit out of it, they could not be justly blamed for doing this; but neither can it be considered the legitimate business of banks, and a long continuance of such a state of matters would probably be prejudicial to their own interests. Now let it be considered that if all this would be true in the extreme case supposed, it must be also now, under existing circumstances, true *in degree*. Every one having anything to do with business, almost even every private individual having any money to spend, can judge for themselves whether a much larger quantity of bank-bills, one-dollar, two-dollar and five-dollar bills, would not be in circulation if the American silver was scarce or altogether out of the way. As to the banks buying and selling the coin again for circulation very extensively, it is well understood to be the case at the present time. It does not seem necessary to seek further for an answer to this question; we will, therefore, pass on to the fourth: What causes have originated and now perpetuate the evil? The first malignant form of the nuisance may be said to have originated some five years since with British silver. The intrinsic value of the English shilling is $24\frac{1}{2}$ cents, pretty nearly a quarter of a dollar. People thought as it was so near, it would save trouble to take them as quarter dollars—to treat them as and consider them of that value, and not bother themselves about the small fraction of

a difference. Herein was the mistake ; the difference, trifling on the single coin, gave a fine profit to importers on thousands of dollars worth, and accordingly in they came. The curious short-sightedness of the public in this respect may be illustrated by comparison with a hypothetical instance of the same treatment applied to something else. Suppose an immense quantity of two-foot and three-foot rules have been manufactured in Great Britain or the United States, but when finished are found to be incorrect in length ; being unsaleable at home they are exported to Canada and are to be bought here very cheap. It is true the two-foot rules only measure $23\frac{1}{2}$ inches, but that is nearly two feet ; and the three-foot rules only 35 inches. But we want and can use the rules, and they are cheap ; so let's buy them and make them do, say the public. Consequently the carpenters, masons and builders are furnished with them. Now if all the rules in the country were the same, it would not be quite so bad ; but there are a certain quantity of a *correct* length in use, and these only are recognized by the law as correct. Let the reader ask any engineer or architect what the result would be if a proceeding of this sort should be allowed to occur. But the result of the exact counterpart of this could not be foreseen by the guardians of our commercial interests ; that a commercial standard of measure with a false quantity in it would produce like evils, had to be left for experience to demonstrate. So the English shillings came in and were used as quarter-dollars. When they were taken to the bankers they of course would only give credit for their real or intrinsic value, deducting the difference as discount. The more enlightened and less patient members of the community made the attempt, before referred to, to rid themselves of the burthen, but failed and subsided. What they could not accomplish, however, with respect to this British silver, was soon after brought about by a more potent spirit of disorder. The American silver coin, at that time supposed to be worth

its reputed value, was found to be really of less value than the British. Here there was an opportunity for further profit—take away the British and substitute the American silver. This was done, and the aggravated infiction quietly submitted to by our public. If any large supply could be found of silver coin still further debased (say to the extent of two or three per cent.), we should soon have the American coin superseded in its turn. How far we might (or may) go in this direction is a curious subject for speculation; where the last straw would be found to break the camel's back; whether we would quietly put up with six per cent. or would submit without murmuring to even eight per cent. before we began to think some alteration advisable, is open to conjecture.

But how is the evil perpetuated? If the silver is not wanted, why does it remain and continue to increase in quantity? Because it is debased coin, of less than its recognized or reputed value. If it was of standard value, it would flow in a continued stream into the banks; every one would take bank-bills and deposit silver to rid themselves of the encumbrance; the banks would become gorged and the silver exported. But now any one sending silver to the bank, which they have taken at its reputed value, must of course lose the discount; and the banks, instead of sending it out of the country, can make more profit by selling it again for circulation here.

Thus has the evil arisen, and thus does it continue to trouble us—to complicate our accounts, wear out our pockets and cause us annoyance and heavy loss.

NOTE.—I wish to call attention to a misprint in my last letter. In summing up the reply to the first question, "the loss, therefore, is the interest on the capital (whatever the excess in the quantity of coin may be) so mis-employed as currency," the word mis-employed is printed "unemployed." Another way of putting my meaning on this head has since

occurred to me, and as it is a very important matter I will take this opportunity to give it. Suppose that every man in Montreal or in Canada buys half-a-dozen coats over and above the two or three that he requires for wear. By wearing them in rotation he may contrive to make use of them all; but, nevertheless, some of the six are superfluous. Now, even supposing that they do not deteriorate and can be sold after some years at the same price that was paid for them, is it not evident that the capital so invested will meantime remain unproductive? It is lying dead, no interest got for it, no gain, nothing but the possession of so many coats, which are not wanted, and are an encumbrance to the owner. Now, cannot every one see that this is equally and precisely as true in the case of the coin; it is a general loss to the entire community, caused by the excess in quantity, quite independent of the trouble occasioned by the coin being debased. I observe, sir, that the *Globe* and some other journals in the West, and also the Toronto Board of Trade, have commenced to agitate this subject of the silver nuisance. Singular as it may seem, however, this very important phase of the question appears to be entirely overlooked by them. As our own Board of Trade may wake up one of these days and begin to think it worth their attention, it might be of considerable benefit to the public if you would bring this view of the matter under their particular notice. My rough estimate of the excess was ten million dollars. Taking it at this, and say interest at six per cent., gives six hundred thousand dollars per annum, which (even if it is not more) is too heavy a sum for Canada in her present financial position to throw away upon a purpose much worse than useless, because, as I am endeavouring to show, extremely vicious and mischievous in its effects on business in several ways.

Before proceeding to the last two divisions of the subject, the 5th and 6th, it may be well to make some observations on the meaning of the terms "Capital" and "Money-market." The ordinary popular idea of the meaning of "Capital" is that it is nearly synonymous with "Money," and as it has been shown that the popular idea of the meaning of money is extremely confused, it will not be necessary to point out here that the same indefinite and more or less erroneous views are entertained with regard to the term "Capital." One of the ablest recent writers on the subject of currency asks the question, "Are bank-notes money in the sense of capital available for discount?" and answers the question in the negative. A careful examination of the question and answer shows that, 1st. by capital available for discount some form of money must be understood, and 2nd. that as this form does not include bank-notes, neither can it apply to any other kind of paper money; consequently the meaning of such capital must be restricted to specie. Now it is quite true that "Capital" cannot be created by the printing and issuing bank or other notes; but it is equally certain that on a broad and general view of the question, such as the writer alluded to is arguing, his answer is quite erroneous; it should be in the affirmative (see note). The fact is that paper money is on a par with metallic in respect to its forming capital so long as its representative relation to the something else possessing intrinsic value is sound and its connexion with such basis is preserved. To give a simple, comprehensive and correct definition of the meaning of the term, I propose to call "capital" transferable wealth, or property in a transferable form. A quantity of coin therefore is capital, but so likewise a quantity of cotton or any other commodity or kind of property so soon as, by means of its paper representative (the warrant, note or bill) it is

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brought into a transferable form. The true meaning of the term "Money-market" may be now perhaps more readily understood by calling it "Capital-market" or "Exchange-market." It is the market where capital is seeking employment, where capitalists are endeavouring to discover the most favourable opportunity to invest their capital, where the transferable wealth is brought in a form ready to be transferred; and on the other hand, it is where the borrowers, the employers or utilizers of capital seek to obtain the transferable wealth for the purpose of carrying on their operations; and again it is where those having one form or description of capital can exchange this for another kind possessed by some one else to the mutual advantage of both. Borrowing or lending on security where the borrower has to pay interest, may be considered a mode of exchange; the borrower continues to enjoy the possession of the one description of capital and acquires the absolute possession also of that which he borrows; the lender gives up that which he has and obtains the contingent right to possess the other kind should the terms of the "conditional exchange" be broken, which are that he is to receive an amount of capital (dependent on the agreement) from the borrower, in stipulated periodical instalments called interest. Money of one kind or another is usually made use of in these conditional exchanges, from its superior convenience.

We can now go on to consider the 5th question: would any real risk be incurred by sending this debased coin out of the country? It is clear that if the silver was sent away it could at any time, under ordinary circumstances, be brought back by giving in exchange some other description of capital, of which we had a superabundance; grain and lumber could be exported, and coin as much as wanted be obtained in exchange. The supposition must be, therefore, that there would not be sufficient time to do this or else that the nature of the circumstances would prevent it. Such a state of

things might be occasioned by the presence of an invading army, a sudden invasion in which a part of the country being occupied by the enemy, the removal of movable property would become very difficult and the continued possession of immovable property be rendered insecure. In such a case there would be a very general desire to "realize" or exchange other kinds of property for coin. Every creditor would be anxious to obtain what was owing to him in specie, the most portable and readily exchangeable form of capital; the banks would be pressed to the utmost to redeem their notes. In such a state of matters the presence of a large quantity of silver coin would be an advantage to the individuals who would obtain it, but it does not follow that the country at large would even in this extreme case be benefited thereby. The less coin there was the sooner specie payments would have to cease, the more reason for those who hold their notes to support the credit of the banks; the greater inducement for those who could not realize their property to stay and defend it. But however this might be, war or an invasion is a commercial convulsion, one of those extraordinary events the possible effects of which it is useless to attempt to provide against in establishing a sound system of currency suitable to the ordinary times of peace; as well might the architect be called on to form such foundations for his buildings as would preserve them from injury in the event of an earthquake upheaving the ground on which they stand. If we can foresee the peril, we may endeavour to avert it. Should those persons who think there is at the present time some danger of this country being invaded be in the right, it would seem that plenty of good rifles in the hands of those properly trained to use them would offer much less temptation to an invading force than an abundant quantity of specie. We are told to "render unto Cæsar the things that are Cæsar's," and although this coin cannot certainly be considered Cæsar's, insomuch as we have bought it and

paid for it a higher price than he could have got for it elsewhere, nevertheless it bears his superscription, and as his pockets are getting very empty, it does seem an unwise temptation, if not a sort of challenge, to leave it so much exposed. When a man leaves much money lying about his house unemployed, it is generally considered a sign of his being otherwise very wealthy, and the same conclusion, however unjustly, may be arrived at in our case. But let us hope that these fears of invasion are not well founded, that our neighbours have no such aggressive designs upon our property. The best means of prevention would undoubtedly be to show that we were fully prepared to repel invasion if attempted. No serious effort can be said to have been yet made or seems likely to be made in this direction, and if we do not choose to do this, we must put up with the consequences, should such a state of things unfortunately come to pass.

The only other ground for apprehension with respect to sending this coin out of the country is the idea that it may influence unfavourably the facilities of obtaining discount. This will be better discussed in replying to the last question, and so reserving this for my next letter.

NOTE.—The writer above referred to is the author of a clever article on the subject of currency in the "North British Review" for November, 1861. In combatting the prejudices and erroneous opinions commonly entertained in the city of London with respect to certain principles of banking, and in endeavouring to show that some of the highest authorities on such matters in England attribute a mysterious and peculiar value to gold which it does not really possess, the usually clear-headed reviewer has evidently fallen into some equally extravagant errors in the opposite direction, appearing to forget that coin does really in itself constitute one form of capital, and as in the passage quoted above, overlooking the fact that bank-notes properly secured are also capital.

No. 9.

The supposed objection to sending away the superfluity of the silver coin, embodied in the sixth division of my analysis,

yet remains to be considered, namely: 'Does the circulation or presence of a large quantity of metallic currency afford facilities in obtaining discount? And what is its effect or influence, (if any) on the money market? In the preceding letter, No. 8, the endeavour was made to convey to the reader a correct and definite idea of what constitutes the so called money-market. That mode of conditional exchange termed borrowing on security was also referred to, and its relation to the money (or capital) market considered. It is almost needless to remark that the giving or getting discount, is equivalent to lending or borrowing on security. The facilities in obtaining discount will depend then in the first place on the presence and quantity of the capital available to lend. But the price which will have to be paid for it, the rate of interest, will be materially influenced by the number of employers of capital and the consequent competition amongst them to obtain it, and again, the number of those so competing will depend upon the opportunities of so employing the capital that an increased amount of it may be gained from its use. The power of discounting depends, therefore, upon the quantity of capital produced in excess of its consumption. Capital may be produced or an increase of it effected in four principal ways: by Agriculture, by Manufacturing, by Mining and from the introduction of capital by foreigners for which no equivalent value is given in exchange. This last may be considered a disturbing cause of only occasional occurrence and limited influence; Agriculture and Manufacturing processes may be considered, for our present purpose, nearly akin to each other. The object of the first is to supply the natural necessities, of the second the artificial requirements of life. In the one the seed, in the other the raw material; in both labour with or without the addition of other kinds of capital, have to be employed. In 'Mining,' labour assisted by capital only is required. These then are the source of a discounting power, of an easy money-market

and a low rate of interest; if the country is mainly agricultural an abundant harvest, if manufacturing a large production in quantity of goods in demand at profitable prices; if its resources are mainly dependent on mining, the quantity of mineral such as can be readily sold (directly, or indirectly in the form of manufactures) at a price exceeding the cost of the labour employed in obtaining it. Labour (of the head as well as of the hands) is the primary source of capital and on the number and quality of labourers the wealth producing power of a country is directly dependent. The average productive capacity of labour in any country being ascertained, a certain number of labourers may be taken as equivalent to, or as representing in that country, so much capital, and may be estimated as one form *thereof*. It is then upon the judicious employment or utilization of capital that we have to depend to confer increased facilities for availing ourselves of its powerful aid. Industry, foresight, enterprise and trustful confidence tempered by caution and prudence are with nations as with individuals the sure foundations on which the increase of wealth and power of discounting mainly rest. But very frequently such an increase does not immediately follow the most judicious investment of capital. The agriculturist committing his seed to the ground, employing his labour thereon and patiently waiting until the harvest returns it to him again in much larger quantity is a type of the employers of capital generally, and as the farmer, who in the form of seed and agricultural operations buries all, perhaps, the wealth he possesses in the ground, may have to suffer inconvenience whilst waiting for the return, so it may be and often is in other cases; capital may be employed in the most advantageous manner but a long period may have to elapse before the expected return is received, in this case the temporary effect is a consumption of capital perhaps in excess of its production, and the necessary result great difficulties in obtaining discount, a stringent money market and high rate of interest.

As an extreme cases in point the severe crisis and panic of 1847, in England, may be referred to. The construction of numerous railways had absorbed an immense amount of capital and labour, for which no immediate return could be received; the effect of this was further increased and aggravated by deficient harvests, and the natural result followed of a commercial convulsion. Those who are able fully to realize the fact that coins are merely gold and silver counters or tokens, very convenient and useful as mediums of exchange, but, so long as they remain in the form of currency, for no other purpose, will readily understand that the presence of a large or small quantity of coin does not necessarily effect the power of discounting or rate of interest. When a country possesses mines of the precious metals, the quantity produced will as bullion, or if coined as specie, greatly influence the money market because it is one of the forms of capital, a product of the country itself, for which other kinds can be obtained in exchange, but where the coin has itself been bought by exchange for other capital, the case is quite different; no matter how much coin may be brought into a country in this way, it cannot facilitate the power of discounting, nor confer any of the advantages arising from an increased production of capital.

No. 10.

Having now endeavoured to refute in detail the arguments which have been used or which can with any appearance of reason be entertained on behalf of allowing the state of our metallic currency to remain as it is, and having shown sufficient cause, it is conceived, for ridding ourselves of this silver burden, the next question is the general one, as to the most simple and practical method by which an effectual remedy may be applied. There are two ways, by either of which, if they can be fully carried into effect, it would appear that

this object may be more or less completely attained. 1st. With the consent and by the unanimous agreement and combined action of all the parties concerned to only give and take the coin in question at and for its real value. 2nd. By invoking the Government, as a matter of justice, expediency and advantage to the commonwealth, to enforce such a uniformity of action by putting this coin on an equality with the other coins of our currency, legalizing it as a standard of value and defining its relative worth compared with such other coins. The first plan has been already once tried in this town, some time since, but, as before mentioned, was not attended with success. It was also tried in Toronto, where, with a greater unanimity amongst the traders, the result is said to have been much more satisfactory; but it is at the same time evident that the success in that town was of only a temporary character, since the numerous complaints made through the press show that the existing state of matters there is not much better, if any, than it is with us. It is now proposed at Toronto to re-organize the former arrangements, and, by inducing Montreal and other towns, through their respective "Boards of Trade," to adopt the same measures, it is hoped to obtain a more complete success. The principal objections to this plan, which become apparent on a little consideration, are its incompleteness in not striking at the root of the evil, leaving us exposed to the future repetition of the same grievance and loss; the doubtfulness of success in even obtaining that partial relief which would result if the plan can be fully and fairly carried into effect; its oppressiveness in requiring many of those who first agree to take the coin only at the lesser value to sacrifice their own interest more or less for the benefit of the community, and also the bad feeling engendered between those so agreeing and others whose interest or opinions lead them to prefer retaining the present rates. This plan, in short, based and dependent on a voluntary agreement amongst a great number of traders,

does not appear to promise any certainty as to the extent of its influence ; it would give an opportunity for the less conscientious trader to take advantage at the expense of the fair dealer, and would possibly leave us, after the loss of much time, to seek a more effective remedy, or, disgusted perhaps with the unfruitful result of the attempt, to put up with the grievance as irremediable.

The second plan, namely, that of acting through or with the instrumentality of the Government, seems to the writer by far the more preferable. The addition to the present legislative regulations in respect to the currency would be very simple. The following would probably be found sufficient. *To make this American silver, as well as the British, legal tender at (or at a little below) its intrinsic value ; having thus brought it within the legitimate cognizance of Government, to make it, also, penal for any one carrying on business to take such legal-tender coin (American, British or other kind) as currency at more than its legal value.* This clause would be made to apply to such a case as money paid for wages. Some arrangement could be easily made in addition to cause the banks to send away the superfluity of foreign coin when received by them instead of giving it out again for circulation.

The "Trade Review" having recently noticed the subject editorially and expressed an opinion that the plan of an agreement amongst the traders themselves should be revived and again tried, the writer ventured to send a few remarks to the editor of that publication, pointing out what appeared to him the advantages of seeking the aid of the Government to carry out the required reform. But the succeeding number of the "Review," containing a brief summary of the observations and commenting very courteously on them, disapproved of the proposed plan, stating the reasons of disapproval and again recommending the adoption of the first method.

As the "Trade Review" may be justly considered an

enlightened exponent of the opinions entertained by a majority of business men on this as well as other commercial matters, it will be desirable, in endeavouring to determine the most advantageous way of dealing with this subject, to examine into the value of the objections stated therein to the one plan and the reasons given for preferring the other.

No. 11.

The *Trade Review* of March 10th, in noticing my suggestions on this subject, makes the following remarks:—

“ While we are quite prepared to admit that the measure proposed by ‘Mercator’ would be effective, we cannot agree with him in recommending it. First, because such an enactment is unnecessary, as milder means have not been properly tested; and, next, because the passage of such a law by the Legislature would be impossible. There is a general disinclination on the part of the public to invoke legislative interference in any subject relative to the currency. Certainly a law of this kind, fixing the value of a coin, could only be purchased at the expence of further encroachments upon the liberty of trade; and the principle once admitted, with the peculiar notions of our French Canadian friends predominant, the value of all money would soon be regulated by Parliament rather than by the inevitable law of supply and demand. We much mistake the intelligence and enlightened views of ‘Mercator’—recently so clearly expressed on other subjects in a contemporary—if this is the result he contemplates in urging the Legislature to interfere in the silver question.”

Certainly no such result was contemplated by me. I would shudder at the bare possibility of our being reduced to such a political condition as would allow the Legislature or Government to regulate the *value of money*. But has not the *Trade Review* been here misled by that indefinite use of expressions too much in vogue in the commercial world? Why, sir, not

the Emperor of Russia or the President of the United States, not the most despotic autocrat hereditary or elective, no arbitrary government of the present or past time, possess or have possessed such a power as this would be. It is evident that the *Trade Review* has here confused the meaning of the term "value of money" with that of "standard of value"—a *very* different thing—the proper regulation of the latter being one of the most legitimate functions and duties of a government. But when the time comes that we can be dictated to by Government as to *how much* of what we possess must be given in exchange for this standard coin, then, indeed, will the last stronghold of individual as well as public liberty have been taken from us. With the correction of the error, the argument based thereon falls to the ground, or, rather, the objection is at once removed. *This* is simply a case of rectifying some of the divisional parts of the standard measure. The idea of danger arising to the freedom of commerce from the Legislature interposing and completing its necessary work is quite illusory. So far would a compelled uniformity in using a correct and definite measure be from interfering with the natural law of supply and demand, it would allow the law perfect freedom to operate; whilst now, from our working with a false standard, the supply has long since overwhelmed our demand, displaced other more convenient forms of currency and brought upon us the inconvenience from which we are suffering. Instead of hesitating to allow the Government to interpose, it would seem far more reasonable on the part of the public to insist on the Legislature and Executive fulfilling their duties in this particular. When coin is made legal tender, it is intended by so doing to fix and define its limit as a measure of value. Under ordinary circumstances it is only necessary to so define it in one direction, because the interest of those receiving it is opposed to their admitting it to measure more than it actually does; but with us, under the operation of a peculiar cause, this safeguard has proved insuffi-

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cient, and hence the necessity for the Legislature to complete the definition and for the Executive to apply it in this completed form to the American silver.

The merits of the case having been explained, it may be left for the careful consideration and common sense of the public to decide. Is the present absurd state of the metallic currency, which has now endured some years, to continue and become a permanent institution with us? Are we to seek a partial relief by a general system of voluntary agreements between great numbers of individuals, and risk by so doing the introduction of fresh inequalities and a new element of confusion? Or shall we, by adopting the simple, obvious and natural plan of invoking the regulating powers of the general Government, apply at once an effectual and permanent remedy?

If the method of voluntary agreement had been adopted and persevered in when the vicious principle of taking the coin at a fictitious estimate first came into vogue, it would probably have succeeded; but now that long continued use has (so to speak) consecrated the custom, there will be a much greater difficulty, and unless the rather improbable event of our neighbors resuming specie payments should come to our assistance, anything more than a temporary relief can scarcely be expected. Should this plan, however, be again tried, it is to be hoped that parties to the agreement will be strictly bound not to pay out the silver as wages to employees at more than the rate at which they engage to take it. This part of the agreement would be more unpalatable to many than the other; but, unless it is strictly attended to, great injustice will be done, dissatisfaction arise and eventual success by this method soon become hopeless.

No 12.

A letter with the signature "Commerce," published in your impression of the 18th, in commenting on the American

silver question, criticises some of my arguments, and gives expression to opinions differing very widely from my own. The entire letter might well suggest to the mind of the reader the idea of a swallow skimming over the surface of a large sheet of water, or that of a traveller by a fast express train, who sees a great number of objects, but whose rapid progress does not give him time to make out very clearly their real nature. Since "Commerce" is one of those willing to reason upon and desirous to understand this subject, for whose benefit my explanations are more particularly intended, it would be a pleasure to me to endeavour to clear up those points where my reasoning appears to him faulty or doubtful; but he must excuse an unwillingness to take up much of your space by again going over the same ground so recently explored. If it can be shown to him that in the first and most important position he assumes he is clearly in error, he will probably be satisfied to look a little more deeply into the divisions and ramifications of the question. He observes:

"A great deal of absurdity has been talked with regard to the silver currency at present in use in this country. In the first place, very few seem to understand the nature of silver currency; hence a great deal is said about intrinsic and nominal value. Some people talk about silver as if it was the standard of value. Now, it is not so; neither here nor in either of the countries from which we have derived our present silver currency. The standard of value is gold in Great Britain, and so it was also in the United States when the present silver currency was coined. Now, where the standard of value is gold, it is not possible that the silver currency can always be intrinsically worth the nominal value of it; because the price of silver fluctuates as the price of any other commodity does, so that silver would range at an extreme price when a twenty-five cent piece (American) would be worth twenty-five cents in gold."

As a reply to this, the following statements may perhaps

suffice: Gold is a legal tender in Canada; therefore, gold is a *legal* standard of value. British silver is a legal tender in Canada; therefore, British silver is a *legal* standard of value. All kinds of coin in ordinary use as currency are measures or standards of value. American silver is not a legal tender in Canada; it is, therefore, not a *legal* standard of value. But American silver is commonly used as currency, and is, therefore, a standard of value, legalized, as it were, by custom; its measure as one of the divisional parts of the common standard is stamped upon it by custom and use, and just because this measure in the relation of *its nominal* to *its real value* does not harmonize with the other parts of the common or general standard, arise the evils which it has been my endeavour to point out. In the case of the British silver, custom has been allowed to set aside and override the correct but inconvenient measure set upon it by the government, and to substitute a false but more convenient one of its own whence it happens that this coin (the British silver) is for some purposes considered to represent that divisional part of the standard authorized by the law for other purposes (retail transactions) is considered to represent a part differing from the others in its relation to the general standard. This expression "standard of value," seems to be a stumbling-block and source of confusion to many others as well as to "Commerce." Perhaps the reason is that a clear and concise definition of its meaning has been wanting. It may be, therefore, of use to make the rather hazardous attempt to supply such a definition, with the hope, however, that some of your scientific readers may favour the public with this desideratum in a more perfect form. A *standard of value*, then, is *anything of which the name supplies a definite or exact measure of value*; or, it may be thus stated, is *any definite quantity of value which having been chosen and named supplies a basis of measurement*. The "general standard" includes all such *measures*. Its divisional parts must bear a

definite proportion to each other. In each of the divisional parts the nominal and real (intrinsic) value must coincide. A *legal* standard or value may consist of only one such measure, or may comprise any number of the divisional parts, their use as measures being authorized and the correctness of their proportions authenticated by the Legislature. The precise nature of such standards may possibly be made still clearer by comparison with the familiar standards of length. A *yard* measure is a standard of length ; so is a *foot*, and so also is an *inch*. These are divisional parts of the general standard, and bear definite proportions to each other. Their nominal and real values must coincide, for if a so-called yard measure was found to contain only thirty-five inches, it would be termed false or incorrect. The term *yard* might have been given to any other measure ; but the quantity of the length to be represented by it having been once chosen and defined, a relationship is established between the quantity and the name which must not be again disturbed ; for if the exact *quantity* is deviated from, incorrectness and confusion will necessarily result. Precisely the same result applies to the standard or measures of value. (It has not been here overlooked that by a standard measure of either length or value is, strictly speaking, meant a measure the correctness of which has been ascertained by rigid scientific investigation ; but since, if such standard is correct, all measures agreeing with it must be also correct, there is no error occasioned by such an extended popular use of the term as indicated in the foregoing.) For the sake of close comparison, then, we have—

The general standard of { Miles, Yards, } All of them definite measures
length includes : { Feet, Inches, } of value.

The general standard { Sovereigns, Dollars and its } All of them definite
of value includes : { fractional parts, Shil- } measures of length.
lings, Pence, Cents.

The opinion of " Commerce " that gold alone forms the standard of value and that the silver measure may fluctuate

to any extent in relation to it, is refuted by a sentence in the letter of an "Old Banker" of Quebec (referred to in the *Evening Telegraph* of the same date), who says, "the day may come when gold will be at a discount—who knows."

In one of my illustrations referred to by "Commerce," where weights and measures of uncertain size were supposed to be in use, there was an error, which has partly misled him as to the full meaning intended. Instead of "all the weights and measures in use over the country," it should have been "some of the weights and measures in use all over the country." The object being to show the inconvenience and loss to individuals which would arise from using weights or measures called by the same name but not agreeing with each other. It was not asserted that any direct loss to the community at large arose from the practise of using a measure not in agreement with the standard; what is lost by one party in this way is gained by another, but confusion, injustice and loss to the individuals was stated to be the grievance under that division of the subject. The loss of one-eighth or one-fourth per cent. stated by "Commerce" to arise from the coin passing through the hands of brokers is not very intelligible. "Commerce" thinks he now pays his workmen higher wages in this silver coin than he would do if gold or bank bills formed the currency; he probably means higher wages, but really the same. This is at least very doubtful. It is more likely that his workmen would be receiving the same nominal amount in the bank-bills which they now receive in the silver, and they are consequently now receiving less; but they would also have to pay more to the store-keeper. All this in a great measure rectifies itself, and does not effect any part of my argument. The confiding expectation with which "Commerce" concludes that our neighbours will, when they want their silver again, take it back from us at par, is, it is to be feared, unfounded; the commercial gentlemen of the United States are too shrewd to see it in that light. If they cannot get it

back again on more favourable terms, they will prefer to buy a better quality of silver elsewhere at the same price. In buying the silver from them, it is not to be supposed that, taking the whole quantity together, we have paid for it in gold or produce, dollar for dollar. Doubtless the importers have made part of the profit; and, also, be it observed, the loss, which will become manifest when its *exchangeable measure of value* is re-adjusted, will be only in part a *real* and partly an *apparent* loss.

The proposition of an "Old Banker," to simply make the American silver legal tender at its real value, would be of benefit to the bankers, but, it is to be feared, not to the public. It would tend to perpetuate and make permanent the present state of matters.

A correspondent of the *Trade Review* (17th March), signing "W. M.," proposes to assimilate our currency altogether to the British, only retaining in addition the dollar as a nominal standard, and making the British shilling correctly equal in measure to a quarter-dollar. Such a reform of the currency, if it could be carried out, would, in all probability, be of great advantage to this country. It would present some difficulties, but by no means very serious if the public could be aroused to the importance of the subject. In addition to the great gain in convenience and financial economy, such a measure would possess a political significance of the most useful character at the present time.

POLITICAL ECONOMY *vs.* SILVER CURRENCY.*To the Editor of the "Montreal Herald."*

SIR,—A letter appeared a few days since in your journal with the above title and the signature "Casuist." Having endeavoured in a series of letters elsewhere to explain the true bearings of this question, I wish with your permission to put a few observations before your readers upon it. I cannot fully concur in all of "Casuist's" views, and it does not seem to me that he sees quite through the question; but his reasoning on the most important particulars agree with mine and his conclusions, as far as they go, appear to support my own. As the subject is too extensive to reason upon in a single letter, I will endeavour to condense my conclusions into a few propositions in proof of which the arguments have been already published.

In each civilized country there is a general system of measures or value established, similar to the measures of length and weight. These measures of value are the different kinds of coin and other instruments of currency, such as bank notes. For these measures of value to be correct and to harmonize with each other, it is necessary that this intrinsic value should coincide with their nominal value, if coin; or their representative value with their nominal, if paper money. It is because these American silver coins have not been brought into conformity with this rule that all the trouble has arisen. The regulation of all weight and measure is a function and duty of the Government. The Government then should be appealed to and their interference insisted upon to put the matter right. What appears to me to be necessary is simply to make this American silver legal tender, the same as British, at its correct value, and then further to make it penal for any trader to take it or pay it away as measuring more than this authorized quantity of value. It is not intended that such a

penal clause should be so framed as to lay tradesmen open to vexatious informations. It would probably not be necessary to enforce it all; the cure would commence so soon as it was known that such a law had passed. An arrangement could be easily made between the Government and the bankers, that as this silver came into the hands of the latter, which much of it would soon do, it should be sent out of the country and not sold again for recirculation. My rough estimate of the superfluous quantity of silver coin in the country, was ten million dollars, which is closely supported by that of "Casuist," derived indirectly from the bank-note circulation which it has displaced. The great and direct loss to the community generally is the interest on this sum which is being unemployed, or rather much worse than unemployed, because it is clogging the wheels of commerce and interfering mischievously with business in many ways. The idea that such legislative action as proposed above could affect the price of money or the freedom of commerce, is simply absurd, and shows ignorance of the first principles of currency. The merchants of Toronto who have entered into an agreement to regulate these measures of value are probably not aware that in so doing they are usurping one of the most important functions of government; it is at the same time certain that their efforts cannot have a successful result, because nothing like the necessary uniformity can be attained in such a way. That our leading bankers should continue to sit with folded hands and make no sign in regard to this question, is truly a very singular circumstance.

I am, Sir,

Yours respectfully.

MERCATOR.

Montreal, April 10th, 1864.

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